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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 4, 2002

APPLICATION OF

LAKE MONTICELLO SERVICE COMPANY

CASE NO. PUE-2001-00424

For amendment of its certificates  
of public convenience and necessity  
pursuant to Va. Code § 56-265.3 D

FINAL ORDER

On July 26, 2001, pursuant to § 56-265.3 D of the Code of Virginia, Lake Monticello Service Company ("Lake Monticello" or "Company") filed an application with the State Corporation Commission ("Commission") to amend its certificates of public convenience and necessity, Certificate Nos. W-197(a) and S-64(a). The current certificates designate the Company's certificated service territory as the Lake Monticello residential subdivision and two adjacent areas.

The Company applied to amend its certificates to include property adjacent to its current service territory. Upon the addition of the adjacent property, the Company's service territory would include an area generally bounded by Routes 53, 600, and 618. The Company's application also sought to include 10.4 acres of land to the south of Route 600 which is outside, but adjacent to, the general boundaries described just above.

The application did not propose any changes to its tariffs, rates, rules, and regulations on file with the Commission.

On September 28, 2001, the Commission issued an Order for Notice and Comment and/or Requests for Hearing providing interested persons an opportunity to file comments and/or request a hearing on the application. The Commission received several requests for hearing from interested persons. On December 10, 2001, the Commission Staff filed a report recommending that the matter be scheduled for public hearing. By order issued December 14, 2001, the Commission set forth a procedural schedule and scheduled a public hearing for February 12, 2002, to be held in the Commission's second floor courtroom.

On February 12, 2002, a public hearing was held at the Commission before Hearing Examiner Howard P. Anderson, Jr. Anthony Gambardella appeared as counsel for Lake Monticello, and Rebecca W. Hartz appeared as counsel for the Commission Staff. Respondent Catherine E. Neelley appeared pro se. Richard P. Dowswell, General Manager of Lake Monticello Owners' Association ("LMOA"), and Joseph F. Galvin, President of LMOA and a member of the Board of Directors, also entered appearances on behalf of LMOA.

The central issue in controversy at the hearing, argued by Ms. Neelley, was what effect the requested expansion would have

on the Company's ability to meet its obligations to serve the existing customers of the Lake Monticello subdivision. Ms. Neelley argued that her objection was not to the Company's expansion of its business, but was limited to ensuring that the requested expansion did not adversely affect the public interest and that the Company would meet its obligations to LMOA and the Lake Monticello property owners. Ms. Neelley agreed that the stock purchase agreement between LMOA and the Company recognized the desirability of expansion by the Company as long as there were adequate resources and there would be no effect on current rates. By way of background, the stock purchase agreement relates to AquaSource Utility, Inc.'s ("AquaSource's") purchase of Lake Monticello from the Lake Monticello Homeowners' Association in 1998.

On May 23, 2002, the Hearing Examiner issued his Report. In that Report, the Hearing Examiner found that the Company had provided adequate proof that the expansion of its service territory was in the public interest. The Hearing Examiner noted that the Company did not propose changes to its tariffs or rates on file with the Commission. The Hearing Examiner further pointed to the testimony of AquaSource, who stated their willingness and ability to expand the maximum level of service and facilities to include other areas of Fluvanna County while continuing to provide the facilities and service in the Lake

Monticello community and the Company's demonstration that it has adequate water resources to provide additional service without jeopardizing existing obligations to the Lake Monticello community.

The Hearing Examiner also discussed the testimony of Staff witness Mark A. Tufaro of the Commission's Division of Energy Regulation who testified that: (i) AquaSource has the financial ability to construct the expanded facilities as it becomes necessary to provide reliable service; (ii) the application will not have an adverse impact on the reliability of the Company's provision of water and wastewater services; and (iii) the Company plans to abate the infiltration problem and upgrade its wastewater facility and, thus, should have sufficient wastewater capacity to serve its current and future customers.

The Hearing Examiner also observed that the Company is constructing facilities to expand its water treatment plant to increase the existing capacity to 1.2 MGD to meet anticipated demand, and eventually plans to upgrade its wastewater treatment facility to a capacity of 1.5 MGD. The Hearing Examiner further noted that the Company holds a Virginia Pollution Discharge Permit allowing it to discharge up to 600,000 GPD of effluent into the Rivanna River, and that the Company is involved in ongoing efforts to address its infiltration problems. Having found that the application was in the public interest, the

Hearing Examiner found that the Company should be issued new certificates of public convenience and necessity incorporating the new service territory.

The Hearing Examiner recommended that the Commission enter an Order that:

- (1) Adopts the findings of his Report;
- (2) Issues Lake Monticello Service Company new certificates of public convenience and necessity incorporating the requested service territory; and
- (3) Dismisses this case from its docket of active cases.

On June 13, 2002, the Company filed comments to the Hearing Examiner's Report stating its support of the findings and recommendation made in the Report and urging the Commission to grant the service territory expansion. The Company further stated that it had adequate water withdrawal authority to serve the expected growth in usage and is expanding the capacity of its water treatment facility to 1.2 MGD and the capacity of its wastewater facility to 1.5 MGD. No other comments to the Report were filed.

NOW THE COMMISSION, having considered the record, the Hearing Examiner's Report, and the comments thereto, is of the opinion and finds that the Hearing Examiner's findings and recommendations should be adopted in full. The evidence

supports that the Company's application is in the public interest.

Accordingly, IT IS ORDERED THAT:

(1) The findings and recommendations of the Hearing Examiner are accepted.

(2) Lake Monticello Service Company shall be granted Certificate No. W-197(b) to provide water service to its existing service territory and incorporating the requested service territory.

(3) Lake Monticello Service Company shall be granted Certificate No. S-64(b) to provide sewer service to its existing service territory and incorporating the requested service territory.

(4) This case is hereby dismissed from the Commission's docket of active cases.